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Rural Businesses Set to Create Green Jobs with NMTCs

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The cities of Thomaston and Cordele have more in common than their location in central Georgia. Both are rural, manufacturing communities and both have suffered thousands of job losses over shuttered factories. Now both are bringing back jobs and rebuilding their local economies with the expansion of two green businesses. Thanks to federal new markets tax credit (NMTC) financing, Thomaston will see its AVAPCO biomass research and development facility expand into new products and Cordele will see its Synergy Solutions recycling management center upgraded and expanded.

"The New Markets Tax Credit program has long been a critical tool for revitalizing underserved areas, and it can be especially impactful in rural communities," said Brad Elphick, partner at Novogradac & Company LLP's Atlanta metro office. "We can see with the AVAPCO and Synergy Solutions projects that the benefits of the New Markets Tax Credit program extend far beyond each business—entire communities benefit."

Others agreed. "[These projects] bring economic diversification and high-quality jobs to the communities," said Susan Seagren, director of AMCREF Community Capital, which provided NMTC allocation authority to both transactions. "The positive economic development coming into these communities enhances the local morale—both of them can be symbols [of positive growth] for small, rural towns."

Thomaston Biorefinery

Georgia-based company AVAPCO opened the Thomaston Biorefinery as a biomass research and development facility in 2012. Utilizing the NMTC proceeds, AVAPCO will expand to commercialize the conversion of biomass waste into nanocellulose, a plastic alternative that can be used in everything from airplane and automobile parts to water bottles and cosmetics. Adam Mathis, AVAPCO's Chief Financial Officer (CFO), said that although the technology to produce nanocellulose has been around for decades, AVAPCO is one of the first companies to produce it cost effectively. "We were there to prove the technology to potential license partners and to generate long-term partnerships with chemical and oil companies and plastic manufacturers," said Mathis. "The new markets tax credit allows us to take this a step further and produce an end product."

With NMTC financing, AVAPCO expanded its Thomaston facility in May and now processes up to three tons of biomass monthly. Mathis said that AVAPCO hopes to use the technology perfected on a small scale in Thomaston to build commercial-scale facilities that could process tens or hundreds of tons a month, either at additional locations or by expanding in Thomaston.

To finance the expansion, AMCREF Community Capital provided \$9.75 million of NMTC allocation to American Process Conversion Technologies LLC, a subsidiary of AVAPCO LLC. Another \$8 million in NMTC allocation



Image: Courtesy of AVAPCO

AVAPCO leveraged new markets tax credit (NMTC) financing to expand its Thomaston, Ga., facility in May and now processes up to three tons of biomass monthly.

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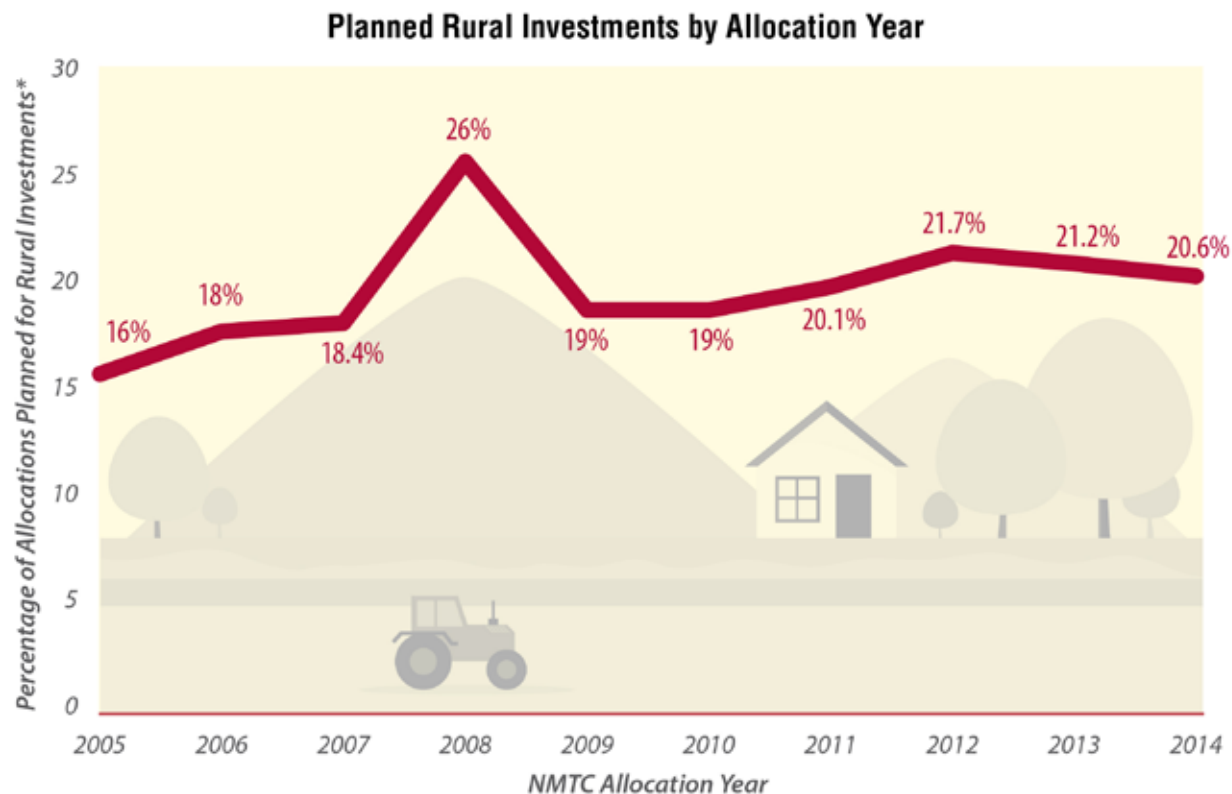
was provided by DV Community Investment LLC, an affiliate of Dudley Ventures. Joel Superfon, Dudley Ventures' director of investment management and advisory services, said the NMTC investment was key to helping the startup facility expand its potential production. "There's no alternative to financing that type of facility and equipment," said Superfon. "If the demonstration facility is capable of commercial production, then they can grow organically and tap into more traditional capital."

Capital One acted as the investor, providing \$6.9 million in NMTC equity and contributing \$3 million of its own NMTC allocation. AVAPCO's location in rural Georgia was a significant draw for Capital One, said Al Kropog, senior vice president at Capital One. "We look for job creation and community impact," said Kropog. "This created well-paying jobs in a rural community and it's going to have a large impact on that community going forward."

Expansion of the biorefinery created 55 and retained 63 direct, full-time-equivalent (FTE) jobs and also created 39 direct construction jobs. Nearly half of the FTE jobs only require a high school or trade school degree and 50 percent of employees are hired from the local workforce. Wages average more than \$82,000 a year, which is more than five times the local living wage. An IMPLAN analysis estimated that the seven-year economic impact of the project is \$251 million and will generate \$30 million in tax revenue. AVAPCO has partnered with a local community college to offer certified training to all of its employees on how to work with chemicals.

Supporters say the investment benefits not only the local economy, but also the environment. AVAPCO anticipates that the Thomaston facility's carbon-neutral process of producing nanocellulose will conserve approximately 2.1 tons of greenhouse gases per ton of production compared to typical plastic production and has the potential to help reduce the 5 billion tons of biomass waste created annually worldwide.

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Source: CDFI Fund

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Synergy Solutions Crisp County

About 90 miles southeast of Thomaston, Synergy Solutions Crisp County LP has begun upgrading an existing waste management facility in Cordele that will recycle solid waste from local municipalities and convert waste liquid from beverage manufacturing companies into fuel-grade ethanol. The plant was constructed in 1998 as a Crisp County initiative, but had to file for bankruptcy and lay off 200 workers when the economy took a downturn in 2008. Synergy purchased the facility and assets, but still needed funds to upgrade equipment and get the recycling portion of the business operational.

“Traditional financing is difficult to obtain in this market, so new markets [tax credits] allowed us to fast track and open the recycling center, as well as solidify the ethanol operation, which we had already gotten up and running,” said Matt Piell, Synergy Manufacturing’s executive chairman. “It’s also in a tier one community, meaning it’s an economically suppressed community where lots of jobs could be created.”

By the end of 2016, the project is expected to create 99 and retain 14 FTE jobs and create 10 direct construction jobs. Synergy estimates that 95 percent of FTE hires are from the local community and are suited to low-income community residents because they do not require a college degree. An IMPLAN economic analysis estimates that the seven-year local economic impact of the project will be \$408 million and generated tax revenue of \$44 million. Environmental benefits include offsetting an estimated 887,000 tons of carbon-dioxide-equivalent emissions every year through ethanol production and recycling.

For the Synergy Solutions expansion, AMCREF provided nearly \$13.8 million of NMTC allocation. Capital One provided \$2 million of allocation and \$5.2 million of equity. “When you visit Cordele, you get a sense of how important of a revitalization project this was to the community, in terms of recreating a sizeable number of jobs,” said Bert Holland, vice president of commercial banking and tax credit financing for Capital One. “[Synergy] could have a profound importance in the world; they could set a standard for additional plants.”

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Rural Catalysts

Rural investments through the NMTC program have officially been required since the Tax Relief and Health Care Act of 2006. The Community Development Financial Institutions (CDFI) Fund, which administers the NMTC, works to ensure that non-metropolitan counties receive a proportional allocation of qualified equity investments (QEIs) under the program—about 20 percent of estimated allocations each year.

“The AVAPCO and Synergy projects show how the new markets tax credit can be a game-changer for rural communities in so many ways,” said Eric Blades, a Novogradac supervisor who worked on both investments. “These transactions check off every box, from job creation and job support to environmental benefits and laying down the foundation for future growth.”

Seagren agreed, “They’re the positive, reverberating effect that these communities need.” ♦

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