



# Novogradac Journal of Tax Credits

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## State NMTCS Support Job Creation “Game Changer” in Southern Florida

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**H**endry County in southern Florida faces the same economic challenges as many other rural communities. “We’re in a beautiful [agricultural] area, but we have challenges that go with [agricultural] production,” said Gregg Gillman, president of the Hendry County Economic Development Council, explaining that unemployment rates in the county tend to rise during agricultural off-seasons. As of March 2014, Hendry County had an unemployment rate of 9.1 percent compared to Florida’s 6.3 percent. However, Gillman expects the local economy will receive a much needed boost with the construction of a new manufacturing plant, which he said will help contribute to creating a more stable, year-round job base.

BioNitrogen Holdings Corporation, a Florida-based cleantech company, will begin construction on its first operating facility with the help of a \$9.6 million allocation of Florida state new markets tax credits (NMTCS) provided by AMCREF Community Capital LLC and Enhanced Community Development. The state NMTCS will allow BioNitrogen to convert two former sugar refinery warehouses in Hendry County into office space, a biomass storage warehouse and pipe fabrication facility.

The state NMTCS will directly create five full-time jobs. However, Gillman said the effect is much bigger. In addition to financing part of the warehouse conversions, the NMTCS will be used for predevelopment and engineering costs that will support the construction of an adjacent

\$300 million urea fertilizer plant, which will create about 47 full-time equivalent (FTE) jobs and 250 construction jobs. “That’s a game changer in terms of the tax base, the quality of jobs and diversification of jobs,” said Gillman. He expects some of the construction jobs will attract workers from out of the area, who will contribute to the local economy for the estimated 18-month construction period. A groundbreaking for both projects is planned for summer 2014, with completion scheduled for early 2016.

### An Innovative Process

BioNitrogen owns a patented process to convert urban, agricultural and forestry waste into urea fertilizer, which is high in nitrogen. The plant will use urban wood waste, tree trimmings, sugar cane residue and vegetative woody biomass as raw material for producing the urea fertilizer. “Most urea is manufactured abroad from coal and natural gas, but BioNitrogen has a more innovative process,” said Susan Seagren, director of AMCREF.

Bryan Kornegay Jr., BioNitrogen’s president and chief financial officer, said the plant’s location in southern Florida is ideal for fertilizer production because more than 20 times the amount of feedstock needed for annual production will be available within 75 miles of the plant. BioNitrogen’s Hendry County site includes train tracks that will allow it to bring in raw feedstock by rail. “In the Midwest, when there’s a freeze or drought, there’s less feedstock. In the cases of Louisiana and Florida, hurricanes mean more feedstock,” said Kornegay, explaining that

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Photo: Courtesy of BioNitrogen Holdings Corp.

**Former sugar refinery warehouses in Hendry County, Fla. will be converted into office space, a biomass storage warehouse and pipe fabrication facility to support construction of an adjacent urea fertilizer plant. Hendry BN Construction & Fertilizer Services LLC received a \$9.6 million allocation in Florida state new markets tax credits (NMTCs) for the conversions, capital equipment, pre-development costs, engineering expenses and site improvements.**

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trees knocked down by storms can be used for fertilizer production. Furthermore, the temperate climate makes it possible to trim trees and collect woody biomass year-round.

Kornegay said the Hendry County project represents an important shift in the domestic production of urea fertilizer because U.S. farmers typically use urea fertilizer imported from Egypt, Russia and the Middle East. “We’re reducing the carbon footprint to get fertilizer to farmers, and we’re using waste that was either burned or buried,” said Kornegay. “It’s a win-win situation from our perspective.”

### Financing

AMCREF Community Capital LLC and Enhanced Capital contributed their entire 2013 Florida state NMTC allocations of \$4.8 million each to Hendry BN Construction & Fertilizer Services LLC, a newly formed subsidiary of BioNitrogen Holdings Corporation. “It’s important early stage capital that will be a catalyst for the larger financing that they’ll need to do [for the fertilizer

plant],” said Richard Montgomery, managing director of Enhanced Community Development.

Kornegay said that the Florida state NMTC, which offers a 39 percent credit for qualified investments in low-income communities, was a critical source of gap financing. The larger fertilizer project also received \$312,000 in qualified target industry tax refunds from the Florida Department of Economic Opportunity and approximately \$850,000 from a Florida Department of Transportation Economic Development Fund grant for road construction that would improve truck access to the plant.

“This is the first plant that BioNitrogen is developing,” said Seagren. “Helping to get this first project off the ground will be a big catalyst for moving the other projects forward.” BioNitrogen plans to build five plants in the United States and Canada within the next five years, many of which are located in low-income rural communities in the southeastern United States, and an additional 10 plants overseas in the next 10 years. ❖

### Hendry BN Construction & Fertilizer Services LLC

#### FINANCING

- \$4.8 million Florida state new markets tax credit (NMTC) allocation from AMCREF Community Capital LLC
- \$4.8 million Florida state NMTC allocation from Enhanced Community Development
- \$486,000 in contributed equity from BioNitrogen Holdings Corporation

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